

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

ILLINOIS INDEPENDENT TELEPHONE
ASSOCIATION)

Petition for initiation and investigation of)
the necessity of and the establishment of a)
Universal Service Support Fund in accordance)
With Section 13-301(d) of The Public Utilities)
Act.)

Docket No. 00-0233

Cons.)

ILLINOIS COMMERCE COMMISSION)
On Its Own Motion)

Investigation into the necessity of and, if)
Appropriate, the establishment of a universal)
Service support fund pursuant to Section)
13-301(d) of the Public Utilities Act.)

Docket No. 00-0335

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ILLINOIS COMMERCE COMMISSION

DIRECT TESTIMONY

OF

MICHAEL W. STOKES

ON BEHALF OF

NEW WINDSOR TELEPHONE COMPANY

April 20, 2001

1 **Q. Please state your name and business address.**

2 A. My name is Michael W. Stokes. My business address is 993 Clocktower Dr., Ste A,
3 Springfield, Illinois 62704.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am self-employed as a partner with Kiesling Associates LLP and am also a Certified
6 Public Accountant. In addition to our Springfield, Illinois office, the firm has offices
7 located in Wisconsin, Iowa and Colorado. The firm was founded in 1952 in Madison,
8 Wisconsin and is currently providing accounting, auditing, consulting and other financial
9 services to over 200 telecommunications and public utility entities.

10 **Q. Please outline your educational background and business experience.**

11 A. I graduated from the University of Illinois – Springfield in 1989 with a Bachelor degree
12 in Accountancy. Upon graduation, I became employed by Kiesling Associates LLP (the
13 firm) and worked there for over 4 years. My experience at the firm involved providing
14 accounting, auditing, regulatory reporting, budgeting, costing, and individual & corporate
15 income tax preparation primarily to small independent telephone companies. From 1993
16 through 1996, I was employed by McGladrey & Pullen CPA's (a big eight CPA firm) and
17 GROWMARK FS and serving also in the accounting services area. In 1996 I resigned
18 and began practicing as a sole practitioner CPA. I built a practice from 1996 to 2000 to
19 include four employees of which primarily provided audit, tax and accounting services to
20 telephone, cellular, cable TV, and contractor clients. In 2001, I merged my practice and
21 my employees with my previous employer Kiesling Associates LLP and was appointed
22 partner-in-charge of their existing Springfield, IL branch office. In this capacity, I

1 currently am responsible for day-to-day management and all audit and accounting
2 services provided from the Springfield office.

3 **Q. What is your relationship with New Windsor Telephone Company?**

4 A. As an independent CPA, I provide accounting, income tax, financial statement
5 preparation, and many other related accounting and regulatory services to the Company.

6 **Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to present the results of an earnings analysis for New
8 Windsor Telephone Company. This analysis is being presented to determine whether the
9 Company qualifies for state Universal Service support based on its rate of return.

10 **Q. Does your testimony include any exhibits, and were these prepared by you or under
11 your direction?**

12 A. Yes, my testimony includes New Windsor Telephone Company Exhibit 1, Schedule 1.01.
13 and New Windsor Telephone Company Exhibit 1, Schedule 1.02 which were prepared
14 under my direction.

15 **Q. What is the source of the amounts used in the Company's earnings analysis?**

16 A. New Windsor Telephone Company Exhibit 1, Schedule 1.01, Page 1 of 3 attached to my
17 testimony shows the results of the Company's earnings analysis. The amounts used in
18 the earnings analysis were obtained from the Company's trial balance for calendar year
19 ended December 31, 2000, except for materials and supplies, line 2, which represents a
20 13 month average. The Company has provided a copy of this trial balance report
21 December 31, 2000 to Commission Staff in support of New Windsor Telephone
22 Company Exhibit 1, Schedule 1.01.

1 **Q. Please summarize the results of the Company's earnings analysis shown on New**
2 **Windsor Telephone Company Exhibit 1, Schedule 1.01, Page 1 of 3.**

3 A. This analysis shows that the Company has a return on rate base, or rate of return (ROR)
4 of 5.21 percent. This is shown on Line 23. This corresponds to a ROR Funding
5 Deficiency Including Income Taxes in the amount of \$129,551. This amount is shown on
6 Line 28. This means that the Company has a need for state Universal Service support
7 based solely on the Company's earnings level in the amount of \$129,551. These results
8 reflect an adjustment to total operating revenues by subtracting Illinois High Cost Fund
9 support on line 15, an adjustment to net regulated plant on line 1. These adjustments will
10 be explained below.

11 **Q. Please explain the adjustment in the amount of \$75,700 that you have made to**
12 **increase net regulated plant on line 1 of the earnings analysis.**

13 A. The purpose of this adjustment is to reflect known and measurable changes that will
14 occur to New Windsor Telephone Company's plant for current projects in the first half of
15 year 2001. These adjustments, as further explained in Exhibit 1, Schedule 1.02 are the
16 result from paid for switching upgrades in the amount of \$36,141, which work is now in
17 progress. New Windsor Telephone Company Exhibit 1, Schedule 1.03 and 1.04 are the
18 invoices which New Windsor Telephone Company has paid to Nortel Networks, Inc. for
19 these upgrades.

20 **Q. Are invoices which New Windsor Telephone Company has paid to Nortel Networks,**
21 **Inc. for the switch upgrades?**

22 A. Yes.

1 **Q. Does the Company's Trial Balance Report December 31, 2000 and Form 23A reflect**
2 **true and actual results?**

3 A. As stated in our Accountant's Report that is included in Form 23A as filed with the
4 Illinois Commerce Commission for the year 2000, we have prepared the financial
5 statements and supplementary information included in the prescribed form, Illinois
6 Commerce Commission Form 23A in accordance with Standards for Accounting and
7 Review Services issued by the American Institute of Certified Public Accountants. The
8 Company's financial statements and records are in accordance with Generally Accepted
9 Accounting Principles (GAAP) and FCC Part 32 accounting rules.

10 **Q. Are you aware of any other known and measurable changes to the Company's**
11 **actual calendar year 2000 results that would impact the earnings analysis?**

12 A. No. I am not aware of any other changes that are known and measurable.

13 **Q. Does New Windsor Telephone Company concur with Mr. Schoonmaker's recom-**
14 **mendation that its affordable rate be established as the current weighted average**
15 **rate for residential and business service?**

16 A. Yes, it does.

17 **Q. Please summarize your testimony.**

18 A. The earnings analysis for New Windsor Telephone Company shows a ROR Funding
19 Deficiency based on actual results for the year ending December 31, 2000 plus known
20 and measurable changes. The amount of this deficiency is \$129,551. Therefore, based
21 solely on the results of the Company's earnings analysis, New Windsor Telephone
22 Company should receive annual state Universal Service support in the amount of
23 \$129,551.

1 **Q.** **Does this conclude your direct testimony?**

2 **A.** Yes, it does.